

**00458**

**1979/03/02**

101011A-12

DEPARTMENT OF STATE  
INFO 021-01 120-00 CIAL-00 DDOE-00 FM-05 M-02 INR-10  
1-03 NSC-00 NSC-05 PA-02 SP-07 SS-15 ICA-20  
10-15 IRSE-00 OMB-01 ER-02 COME-00 STR-01 FRB-01  
1020-01 1111 970 101 2 111 7 11  
301330 020512Z /11

add  
speech  
file

P 020076Z MAR 73

FM AMEMBASSY BEIJING

TO SECSTATE WASHDC PRIORITY 1321

UNCLAS SECTION 1 OF 3 BEIJING 1143

PASS TREASURY

E.O. 12958: N/A

INFO: 20PM CN US

SUBJ: SECRETARY BLUMENTHAL'S MARCH 1 PRESS CONFERENCE

THE FOLLOWING IS A TRANSCRIPT OF SECRETARY BLUMENTHAL'S  
MARCH 1 PRESS CONFERENCE HELD AT 6:00 PM AT THE AMERICAN  
EMBASSY BEIJING:

BEGIN TEXT

BLUMENTHAL: I'D LIKE TO SUMMARIZE FOR YOU THE WORK THAT WE  
HAVE DONE HERE IN THE COURSE OF THE LAST SEVERAL DAYS IN  
OUR DISCUSSIONS WITH CHINESE OFFICIALS RELATING TO THE  
NORMALIZATION OF ECONOMIC RELATIONS BETWEEN OUR TWO COUNTRIES.  
I THINK YOU ARE ALL AWARE OF THE MEETINGS THAT I HAVE HAD  
WITH THE VARIOUS OFFICIALS AND WHO THEY WERE. LET ME RUN  
BRIEFLY THROUGH THE VARIOUS SUBJECTS AND WHERE THEY STAND.

AS TO WHAT REGARD TO THE CLAIMS ASSETS QUESTION, CONSIDER-  
ABLE PROGRESS HAS BEEN MADE. NO FORMAL AGREEMENT HAS YET  
BEEN REACHED AND WE ARE STILL WORKING ON IT BUT WE HAVE  
MADE A GREAT DEAL OF PROGRESS AND WE WILL REPORT YOU

IMMEDIATE. ON TRADE QUESTIONS WE HAD A NUMBER OF  
WORKING SESSIONS RELATING TO A TRADE AGREEMENT. BOTH  
GOVERNMENTS HAVE EXPRESSED A MUTUAL INTEREST TO  
PROCEED RAPIDLY TOWARD SUCH AN AGREEMENT. IT WAS  
AGREED BETWEEN US THAT THAT AGREEMENT HAS TO DEAL WITH  
MOST FAVORED NATION TREATMENT AND RECIPROCITY, WITH  
FACILITIES FOR BUSINESSMEN, WITH GOVERNMENT TRADE OFFICES  
AND TRADE EXHIBITS, WITH PATENT AND COPYRIGHT QUESTIONS,  
DISPUTE SETTLEMENT AND INDUSTRIAL COOPERATION. THE TWO  
GOVERNMENTS ALSO AGREED TO THE ESTABLISHMENT AND THE  
STRUCTURE OF A US-CHINA JOINT ECONOMIC COMMITTEE. THIS  
COMMITTEE WILL BE CHARGED WITH COORDINATING AND OVERSEEING  
THE ORDERLY DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN  
THE TWO COUNTRIES. IT WILL BE CO-CHAIRNED BY VICE PREMIER  
YU QIULI FOR CHINA AND BY MYSELF FOR THE US. THE MEMBERS  
OF THE COMMITTEE ON BOTH SIDES WILL BE ON THE US SIDE A  
CABINET LEVEL AND ON THE CHINESE SIDE AT A CORRESPONDING  
LEVEL. IN THAT REGARD I INVITED VICE PREMIER YU TO VISIT  
WASHINGTON AT A MUTUALLY CONVENIENT TIME IN ORDER TO  
CONTINUE THE WORK OF THE COMMITTEE AND IT IS EXPECTED THAT  
BY THE TIME THE VICE PREMIER WILL VISIT WASHINGTON WE WILL  
HAVE REACHED A POINT WHERE ANOTHER MEETING OF THE JOINT  
ECONOMIC COMMITTEE WILL BE NECESSARY. DURING THE  
MEETINGS WITH OFFICIALS OF THE BANK OF CHINA I INVITED  
THE BANK TO OPEN A BRANCH OFFICE IN THE UNITED STATES  
AND OFFICIALS FROM THE BANK INFORMED ME THAT THEY  
INTENDED TO DO SO AT AN EARLY DATE. IN TURN, THE BANK  
OF CHINA HAS INVITED A DELEGATION FROM THE FEDERAL RESERVE  
SYSTEM TO VISIT BEIJING. AS YOU KNOW, WE ALSO HAD TWO  
WORKING SESSIONS ON TAX MATTERS AND INFORMATION WAS  
EXCHANGED BETWEEN OFFICIALS ON BOTH SIDES ON THEIR  
RESPECTIVE TAX SYSTEMS. THE ESTABLISHMENT OF THE JOINT  
COMMITTEE, THE INITIATION OF THE DISCUSSIONS ON THE TRADE  
AGREEMENT AND ON BUSINESS FACILITATION, THE EXCHANGE OF

INFORMATION ON TAXATION, THE EXCHANGE OF INFORMATION ON  
BANKING AND THE AGREEMENTS REACHED ALTOGETHER MADE FOR  
CONSIDERABLE PROGRESS IN IMPLEMENTING THE NORMALIZATION  
OF OUR ECONOMIC RELATIONS. WE ARE VERY ENCOURAGED  
BY THIS AND CERTAINLY CONSIDER THAT THE PURPOSE FOR  
WHICH I CAME TO VISIT BEIJING AS IT RELATES TO OUR  
ECONOMIC RELATIONS HAS BEEN ACHIEVED. I'LL TAKE THE  
QUESTIONS NOW.

Q: IN SPEAKING OF THE ASSETS ISSUE YOU MENTIONED THAT YOU ARE

STILL WORKING ON IT. ARE YOU INDICATING THAT AN  
AGREEMENT MIGHT STILL BE REACHED WHILE YOU ARE STILL IN  
CHINA?

A: I CAN'T TELL. IT IS POSSIBLE. WE WILL CONTINUE TO  
WORK ON THIS AND WE WILL ADVISE YOU IF THERE ARE  
FURTHER DEVELOPMENTS.

Q: ARE YOU SAYING THAT WHILE YOU ARE IN SHANGHAI  
NEGOTIATIONS WILL BE GOING ON?

A: I WILL BE WITH OFFICIALS OF THE MINISTRY OF FINANCE  
AND WE WILL CONTINUE TO WORK ON THIS PROBLEM.

Q: WILL IT BE A MATTER OF DAYS, WEEKS OR MONTHS ON THE  
CLAIMS/ASSETS ISSUE?

Q: I THINK WE HAVE MADE CONSIDERABLE PROGRESS AND I  
DON'T THINK IT SHOULD TAKE A LONG PERIOD OF TIME.

Q: WHAT FURTHER DO THE CHINESE HAVE TO DO TO ACCOMPLISH  
MFN STATUS?

A: AT THIS POINT THEY DON'T HAVE TO DO ANYTHING. THIS  
WILL BE CONTAINED IN A TRADE AGREEMENT AND WE WILL BE  
NEGOTIATING WITH THEM IN COMING WEEKS AND MONTHS. WE  
HAVE NOT ASKED THEM TO DO ANYTHING FURTHER AT THIS POINT.

Q: DOES THAT MEAN WE CAN TAKE IT THEY ARE ABOUT TO BE  
GRANTED MFN STATUS?

A: NO, NOT AT ALL.

Q: ARE YOU SAYING THEY ARE NOW ELIGIBLE FOR MFN STATUS?

A: NO, I AM NOT SAYING THAT EITHER. I AM SAYING THAT WE  
HAVE NOT ASKED THE CHINESE TO DO ANYTHING FURTHER. WE  
HAVE AGREED THAT THE QUESTION OF MFN HAS TO BE DEALT WITH  
IN THE CONTEXT OF A TRADE AGREEMENT. WE HAVE FURTHER  
AGREED THAT NEGOTIATIONS ON A TRADE AGREEMENT WILL BE  
PURSUED IN COMING WEEKS, AND THAT IS ONE OF THE ITEMS  
ON THE AGENDA. IT WILL BE PURSUED AND THAT'S AS FAR AS

SS

101011A-12  
ACTION AND ACTION  
ACTION TAXES

DATE OF ACTION  
ACTION OFFICE SYMBOL  
NAME OF OFFICER

UNCLASSIFIED

01-07

TO OCT-01 150-00 C1AE-00 D0DC-00 PM-05 H-02 ICR-18  
1-03 H2AE-00 H2C-05 PA-02 SP-02 SS-15 ICA-70  
10-15 1251-00 OMR-01 ER-06 COME-00 STR-05 FRB-01  
FCSC-01 /111 W

-----101407 070517Z /11

P 070807Z MAR 79  
FM AMEMBASSY BEIJING  
TO SECSTATE WASHDC PRIORITY 4322

UNCLAS SECTION 2 OF 3 BEIJING 1143

PASS TREASURY

I CAN GO.

Q: MR SECRETARY, ARE YOU SAYING THAT MEMBERS OF THE  
MINISTRY OF FINANCE ARE GOING TO SHANGHAI WITH YOU TO  
CONTINUE NEGOTIATIONS?

A: I AM SAYING THAT MEMBERS OF THE MINISTRY OF FINANCE  
WILL BE GOING TO SHANGHAI WITH ME AND IT IS THEREFORE  
POSSIBLE TO HAVE CONTACT WITH THEM ON THE NEGOTIATIONS.  
THEY ARE NOT GOING FOR THAT PURPOSE BUT THE FACT THAT THEY  
ARE GOING MAKES IT POSSIBLE.

Q: WHAT ARE THE ASPECTS OF THE CLAIMS/ASSETS QUESTION  
THAT ARE STILL UNRESOLVED?

A: SINCE THAT IS UNDER NEGOTIATION I DON'T WANT TO GO INTO  
DETAIL ON THAT POINT. WE HAVE MADE CONSIDERABLE  
PROGRESS. BOTH SIDES ARE IN TOUCH WITH EACH OTHER AND  
IN THEIR RESPECTIVE PRINCIPALS AND THAT PROGRESS IS  
CONTINUING.

Q: WOULD YOU TURN IT AROUND AND TELL US WHAT IS RESOLVED?

A: I CAN'T TELL YOU ANYTHING FURTHER ON THE CONTENT, ON  
EXACTLY WHERE WE ARE, WHAT WE HAVE AGREED TO, WHAT WE  
HAVE NOT AGREED TO. I WILL HAVE TO WAIT UNTIL THAT ISSUE  
IS FURTHER ALONG.

Q: ON EX-IM BANK CREDITS YOU SAID THAT THE SUBJECT WILL  
BE SENT TO CONGRESS IN THE CONTEXT OF A TRADE AGREEMENT.  
I DON'T UNDERSTAND WHETHER THAT MEANS THAT PART OF THE  
TRADE AGREEMENT WOULD BE A CLAUSE IN THE AGREEMENT OR  
A CONNECTED ISSUE.

A: IT IS MY UNDERSTANDING THAT THAT IS A SEPARATE  
MATTER. YOU ARE TALKING NOW ABOUT OFFICIAL EX-IM BANK  
CREDITS. THAT IS A SEPARATE ISSUE. IT IS NOT DIRECTLY  
IN A TRADE AGREEMENT. IT IS REALLY A PARALLEL ISSUE  
ON RELATED ISSUES.

Q: ARE YOU DISAPPOINTED THAT YOU ARE GOING HOME WITHOUT  
ANY REAL AGREEMENT ON THE CLAIMS/ASSETS ISSUE?

A: FIRST OF ALL, I AM NOT GOING HOME YET. SECONDLY, AS  
I INDICATED EARLIER ON BEFORE WE STARTED OUT THAT THIS  
IS A DIFFICULT PROBLEM, A LONG-STANDING PROBLEM. BOTH  
SIDES HAVE WORKED VERY HARD TO RESOLVE IT AND I AM VERY  
ENCOURAGED THAT WE HAVE ALREADY MADE SUBSTANTIAL PROGRESS.  
WE WILL JUST HAVE TO WAIT AND SEE WHAT HAPPENS NOW.

MR SECRETARY, WHAT WILL BE THE PURPOSE OF THE VISIT  
OF THE FEDERAL RESERVE SYSTEM?

A: THE PURPOSE WOULD BE TO TAKE UP THE CONTACT BETWEEN  
THE TWO CENTRAL BANKS AND TO EXCHANGE FURTHER INFORMATION

Q: THEIR MUTUAL OPERATIONS AND ESTABLISH PRACTICAL  
METHODS FOR CONTACT AND COOPERATION BETWEEN THEM IN THE  
FUTURE.

Q: THE BRANCH OF THE BANK OF CHINA TO BE OPENED IN THE  
US WILL IT BE AUTHORIZED TO DO BUSINESS, TAKE DEPOSITS,  
MAKE LOANS TO THE PUBLIC GENERALLY WHICH IS TO SAY  
BUSINESS PRIMARILY, OR WILL BE BE CONFINED IN ITS RELATIONS  
WITH OTHER BANKS, WITH COMMERCIAL BANKS?

A: THAT REALLY HAS NOT BEEN DECIDED. THE ONLY THING  
THAT WAS DISCUSSED IS THE ESTABLISHMENT OF A BRANCH  
OF THE BANK OF CHINA IN THE US AND INDICATION BY  
THE CHINESE SIDE THAT THEY INTENDED TO DO SO AT AN  
EARLY DATE. THE TERMS AND CONDITIONS, THE KIND OF  
FACILITIES THAT THAT BANK WOULD PROVIDE REALLY WERE NOT  
DISCUSSED.

Q: WILL THE CLAIMS/ASSETS ISSUE HAVE TO BE RESOLVED  
BEFORE THE BANK OF CHINA BRANCH CAN BE LOCATED IN THE US?

A: AS I HAVE PREVIOUSLY INDICATED, VIRTUALLY EVERY ASPECT OF  
OUR ECONOMIC RELATIONS WOULD BE GREATLY FACILITATED AND,  
INDEED, REQUIRES IN SOME INSTANCES THAT THE CLAIMS/ASSETS  
ISSUE IS RESOLVED. THAT WOULD INCLUDE THIS PARTICULAR ONE  
REALLY I AM SURE.

Q: MR SECRETARY, AREN'T YOUR NEGOTIATIONS OVER ON THE  
CLAIMS/ASSETS ISSUE? YOU REALLY DON'T HAVE ANY OTHER  
NEGOTIATIONS SCHEDULED?

A: WE CONTINUE TO BE IN TOUCH WITH EACH OTHER AND TO TALK  
TO EACH OTHER. WE ARE ALSO IN TOUCH WITH OUR RESPECTIVE  
PRINCIPALS AND THEY ARE NOT OVER.

Q: WHERE WILL THE BANK OF CHINA PUT ITS BRANCH?

A: THAT'S NOT BEEN DECIDED - IN THE US.

Q: WAS A D  
AT SET FOR THE NEXT MEETING? DO DISCKFS JJ  
1  
ZOE TREATY?

A: IT WAS DECIDED THAT THERE WOULD BE CONTACTS THROUGH  
DIPLOMATIC CHANNELS IN THE MONTHS OF MARCH WITH THE  
LIKELIHOOD OF A FURTHER MEETING BETWEEN CHINESE AND  
AMERICAN OFFICIALS IN APRIL.

Q: WILL SOME KIND OF DOCUMENT BE ISSUED INDICATING IN  
MORE DETAIL WHAT HAS BEEN ACCOMPLISHED?

A: NO.

Q: WOULD YOU BE MORE SPECIFIC THEN ON FACILITATION  
OF BUSINESS RELATIONS, ON AVIATION, ON PATENTS, COPY-  
RIGHTS, THE OTHER THINGS THAT YOU MENTIONED?

A: THERE ARE NO SPECIFIC NEGOTIATIONS ON AVIATION, ON  
SHIPPING OR ANY OF THESE MATTERS. WHAT WAS DECIDED WERE  
THE HEADINGS OF A TRADE AGREEMENT. THE ISSUES THAT HAD  
TO BE INCLUDED IN A TRADE AGREEMENT, THE METHOD OF  
NEGOTIATING THIS, THE PRIORITIES. THE PRIORITIES  
BEING BUSINESS FACILITATION, A TIME TABLE FOR DEALING WITH  
THESE MATTERS ALONG THE LINES THAT I HAVE PREVIOUSLY  
INDICATED SEVERAL TIMES. WE DID NOT DO ANY NEGOTIATION  
ON BUSINESS FACILITIES. WE DID NOT ATTEMPT TO NEGOTIATE  
AN AIR AGREEMENT OR SHIPPING AGREEMENT, OR TO RESOLVE THE  
QUESTION OF COPIES OR PATENTS, NOR DID WE EVER INTEND TO

UNCLASSIFIED

ARTICLE 1A-12

0 OCT-01 ISO-00 C1AC-00 DODE-00 PA-05 N-02 INR-10  
1-03 KSAE-02 KSC-05 PA-07 ST-02 SS-15 ICA-20  
10-15 IRSE-00 OMB-01 EB-01 COME-00 STR-02 INB-01  
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103513 020633Z /11

P 070533Z MAR 79

FM AMEMBASSY BEIJING

TO SECSTATE WASHDC PRIORITY 4223

UNCLAS SECTION 3 OF 3 BEIJING 1143

C O R R E C T E D C O P Y (NEXT SECOND PARA)

PASS TREASURY

CONSIDER OBSTACLES TO PROGRESS ON THESE ISSUES OR ANY STUMBLING BLOCKS, OR WAS IT ALL SMOOTH SAILING AND JUST A MATTER OF NEED FOR MORE TIME OR ARE THERE TOUGH PROBLEMS THAT YOU DIDN'T ANTICIPATE?

A: I WOULD SAY THAT I FULLY EXPECTED THAT THE CLAIMS/ ASSETS ISSUE WOULD BE ONE IN WHICH A NUMBER OF TOUGH PROBLEMS WERE TO BE SOLVED. THAT TURNED OUT TO BE THE CASE. AT THE SAME TIME, CONSIDERABLE PROGRESS HAS BEEN MADE, CERTAINLY AS MUCH AS I HAD EXPECTED AND HOPED AT THIS POINT. ON ALL OF THE OTHER MATTERS IN THE FOUR DAYS OF VERY INTENSIVE MEETINGS NOT ONLY BY MYSELF BUT BY MY COLLEAGUES I WOULD SAY NO OBSTACLES OR SPECIAL PROBLEMS HAVE DEVELOPED THAT I AM AWARE OF. THE ATMOSPHERE HAS BEEN PRAGMATIC AND GOOD AND I THINK WE ARE WELL ON THE WAY TOWARD WORKING OUT EACH OF THESE INDIVIDUAL ITEMS THAT I TO BE PART OF A TRADE AGREEMENT OF THAT HAVE TO BE WORKED OUT PARALLEL TO IT SO THAT I AM ENCOURAGED THAT THE PROSPECTS FOR ESTABLISHING AN ECONOMIC RELATIONSHIP AND MAKING THESE AGREEMENTS IN THE FORESEEABLE FUTURE ARE GOOD.

Q: ARE YOU SAYING THAT IN TERMS OF WHAT YOU HAVE SUCCEEDED IN DOING IS SETTING UP AN AGENDA FOR FUTURE NEGOTIATIONS? IS THAT WHAT IT AMOUNTS TO?

A: NO, I AM SAYING WHAT I HAVE BEEN SAYING ALL ALONG, MR LEVINE.

Q: MR SECRETARY, HAS YOUR MISSION BEEN ENTIRELY UNAFFECTED BY THE CONFLICT ON THE BORDER?

A: IT HAS NOT BEEN AFFECTED BY IT.

Q: MR SECRETARY, THE PROGRESS THAT YOU HAVE MADE ON THE CLAIMS/ASSETS ISSUE - CAN YOU GIVE US SOME INDICATION OF WHAT THAT HAS BEEN - MORE SPECIFICALLY?

A: I WOULD RATHER NOT GO FURTHER AT THIS POINT AND INDICATE THAT WE HAVE MADE SUBSTANTIAL PROGRESS, BUT ARE CONTINUING TO WORK ON THIS PROBLEM.

Q: IS THERE PROGRESS IN THE SENSE OF DEFINING WHAT THE PROBLEM IS OR PROGRESS IN THE SENSE OF HAVING SETTLED SOME SPECIFIC ELEMENT OF IT?

A: IT IS PROGRESS NOT ONLY IN DEFINING BUT IN HARMONIZING DIFFERENCES OF POINTS OF VIEW, WORKING THEM OUT AND REACHING AN AGREEMENT. IN THAT SENSE WE HAVE MADE CONSIDERABLE PROGRESS.

Q: MR SECRETARY, DECIDING WHAT THE CONTENT OF A TRADE AGREEMENT WOULD BE - WAS IT AGREED THAT THERE SHOULD BE

SETS IN TERMS OF DOLLARS OR VOLUME PORTRAYED OVER THE PERIOD OF AGREEMENT?

A: IT WAS AGREED THAT THERE SHOULD BE SUBSTANTIAL INCREASES IN THE VOLUME OF TRADE THAT SHOULD BE EXPRESSED IN VOLUME TERMS.

Q: MR SECRETARY, YOU WERE ASKED THIS MORNING BY ONE OF THE BUSINESSMEN IF YOU KNEW ANYTHING ABOUT THE CHINESE REPORTED DECISION TO CANCEL A NUMBER OF CONTRACTS WITH JAPANESE TRADING COMPANIES, ABOUT 12 BILLION WORTH OF CONTRACTS. YOU DIDN'T KNOW ANYTHING THIS MORNING. HAVE YOU HAD A CHANCE TO LEARN ANYTHING ABOUT THAT?

A: NOT A MOMENT'S CHANCE TO LEARN ANYTHING ABOUT IT. HAVEN'T HEARD ABOUT IT SINCE AND HAVEN'T INQUIRED INTO IT SINCE. I HAVE BEEN TOO BUSY NEGOTIATING AND DOING A FEW OTHER THINGS. I JUST DON'T KNOW ANY MORE.

Q: MR SECRETARY, I'D LIKE TO ASK THIS GENTLEMAN'S QUESTION ANOTHER WAY. HAS THERE BEEN ANY INDICATION THAT THE CHINESE ARE UNHAPPY OVER THE US CRITICISM OF THE WAR, IS IT CAUSING THEM TO DRAG THEIR FEET OVER SOME OF THESE ISSUES?

A: I HAVE HAD NO INDICATION OF THAT.

Q: MR SECRETARY, HAVE YOU BEEN IN CONTACT WITH PRESIDENT CARTER ON THE WAR ISSUES DURING THE PAST FOUR DAYS?

A: THAT QUESTION HAS BEEN ASKED A NUMBER OF TIMES AND I HAVE ANSWERED IT A NUMBER OF TIMES. I DON'T REALLY HAVE ANYTHING FURTHER TO SAY ON THE ISSUE OF VIETNAM. I'D LIKE TO CONCENTRATE ON THE TRADE CONSIDERATIONS.

Q: MR SECRETARY, AT THIS POINT IN THE NEGOTIATIONS WHAT WOULD YOU PREDICT WHEN THE TRADE AGREEMENT MIGHT BE READY FOR SIGNING?

A: I THINK IT WILL TAKE SEVERAL MONTHS BUT IT IS OUR INTENTION TO TRY TO NEGOTIATE THAT AGREEMENT SO THAT WE CAN PRESENT IT TO OUR CONGRESS THIS YEAR. THAT WOULD CERTAINLY BE OUR HOPE. THANK YOU MR SECRETARY.

END TEXT.  
ROY

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